

A woman with dark hair is looking down at a document. The image has a teal overlay. The document is a 'Final Reminder' for a utility bill, mentioning 'NIE Energy' and 'YOU MUST PAY IT NOW BY:'.

Beneath the Surface

Women telling their stories about debt & credit

Final Reminder

above:

voided even though a reminder was sent. Failure
and general credit rating.

YOU MUST PAY IT NOW BY:

NIE Energy Ltd
the

ACCOUNT NUMBER

Failure

Beneath the Surface

Women telling their stories about debt & credit

Research report commissioned by
Your Money Garden Financial Education Project

Authors: Trademark
November 2010



CONTENTS

Acknowledgements	2
Foreword	3
Section 1 Introduction	4
Section 2 Methodology	6
Section 3 Policy Context	10
Section 4 Views of Participants	20
Section 5 Conclusions and Recommendations	38
Appendix 1 Your Money Garden: Values and Ethos	41
Appendix 2 About the authors: Trademark	41

ACKNOWLEDGEMENTS

This research was initiated by Your Money Garden Financial Education Project (YMG) through funding from the Community Foundation for Northern Ireland,Voices Fund.

YMG would like to thank the Community Foundation for Northern Ireland for their financial support, Fiona O'Connell for her advice, expertise and extraordinary support and Helen Aynsley from RBS Innovate for her encouragement. To Trademark for their professionalism and dedication in completing this research in such a short timescale. Our deepest gratitude goes to the women who gave of their time and told their stories that made this research possible.

FOREWORD

This is a timely report and reminds us all of some of the harsh realities of the impact of over-indebtedness in the lives of people and families living on low incomes. It is an important study as it reveals aspects of poverty and disadvantage in modern-day Northern Ireland which often remain hidden and unexplored.

People on low incomes, like anyone else, do from time to time need to borrow for essential items, to make ends meet or just to smooth out the ups and downs of the family budget. From research conducted at the university, it has always impressed me how so many people on tight, low-income budgets do manage to repay loans successfully. They often rob Peter to pay Paul to manage competing priorities, they might even have to miss repayments in particular weeks, but many have a strong focus on controlling the household budget and managing finances carefully. It has been good to see, for example, how the vast majority of those taking out Financial Inclusion Growth Fund loans through credit unions and community development finance institutions in England, Wales and Scotland have repaid successfully.

However, that said, and as this report shows, people on very low incomes are particularly vulnerable to borrowings becoming problem debts because of competing pressures on the household budget and often an inadequate income. They are additionally vulnerable because of the high-cost and disadvantageous conditions of credit offered by sub-prime providers that many people, with limited or no access to mainstream financial services, find themselves having little choice but to use. Mainstream providers can equally of course also through their terms and conditions tip people into severe over-indebtedness.

The report accurately portrays the ways in which people on low incomes fall into over-indebtedness through life-events, such as job loss, illness or relationship breakdown. It can only take sometimes one bank penalty charge for a failed direct debit, then compounded by further charges for exceeding an overdraft limit, to put someone on a very tight, low-income budget in a very difficult financial situation.

The report highlights the consequences of over-indebtedness in low income households. It puts further strain on relationships and often leads to mental and physical ill health, and even domestic abuse. Over-indebtedness and the worries it entails can undermine job search and security.

The authors of the report need to be commended for bringing to light the pressing social and economic problem of over-indebtedness within low income communities in Northern Ireland. They offer recommendations about ways forward and I would share their concern in regard to the availability of free, face-to-face debt advice, the need for more investment in financial education and the importance of enabling people on low-incomes to access affordable credit opportunities. This report offers a real contribution to understanding the dynamics and impact of over-indebtedness and to indicating some of the solutions to the problem.

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SECTION I
INTRODUCTION



Your Money Garden Financial Education Project was established in September 2009 with the aim of providing women with the skills and knowledge to manage and budget their money more effectively. The project has delivered financial capability sessions in a number of women's centres and groups throughout Belfast and surrounding areas.

In June 2010 YMG commissioned Trademark to conduct a qualitative piece of research with the broad aim of exploring how women on low incomes are managing during the current economic downturn, particularly as this would possibly be problematic in periods of no downturn. Specifically the research has sought to:

1. Find out who the women turn to for credit in their struggle to make ends meet
2. Explore how the women learn about credit and obtain information to make decisions
3. Investigate the affect that low levels of financial literacy have on the women and their families

It was crucial for YMG that a broad demographic was accessed and that the findings were based upon reaching those most in need of assistance. YMG were also keen to ensure that participants were provided with the ability to engage in an open and interactive discussion around issues of poverty, debt and money management.

SECTION 2
METHODOLOGY

**BUY BACK
OPTION**

**INSTANT CASH FOR
YOUR GOODS WITH
AN OPTION TO BUY
THEM BACK WITH**

As detailed in the requirements specification the purpose was to conduct research into debt and money management across a range of areas in Greater Belfast with a specific view to let the participants' voices and stories be heard. We intended to adopt a mixture of qualitative methodologies including focus groups and semi structured interviews in a range of settings including community centres, the work place and the home.

Desk research:

At the outset of the project we conducted a review of available literature. This included previous relevant research and related policy documents. This assisted the Trademark team to gain a fuller understanding of the assignment and the context in which YMG operates.

Consultation:

Throughout the research programme we attempted to consult with the project staff on the best methods of data collection. We reported regularly on the emerging themes and discussed with her any changes to the methodology and target areas and groups.

Interviews:

The research team sought to interview a range of women within agreed areas which could provide a concrete demographic and ethnographic picture within which the research takes place. Through our extensive list of contacts and gatekeepers we identified six areas to ascertain a range of views and experiences of debt and credit.

It was initially intended to conduct six focus groups in these agreed areas as the primary data collection method. However it became clear that focus groups were not workable largely due to the sensitive nature of the discussions and issues of privacy. Nonetheless one supplementary focus group with a small group of women did occur as it dealt largely with organisations involved in money lending rather than personal stories and information.

Due to these changes the research team decided to engage in one to one interviews with participants, though with a view to securing the same requisite numbers of participants. Trademark interviewed a total of 24 individuals with one supplementary focus group with four women drawn from the overall sample. Interviews were conducted in as informal a setting as possible to ascertain their views on credit, debt and money management. Each interview typically lasted 1 hour and was conducted as a semi-structured interview to allow for inclusion of a series of key questions as well as flexibility to explore additional issues identified by the interviewee. Once interviews were completed content analysis was performed to identify common themes by the first lead researcher. The analysis was repeated by the second lead researcher to ensure validity of the data. Triangulation of data sources also occurred to ensure that any new themes identified in the study were not atypical of the issues impacting on debt and money management.

2.1 Research target areas

Clonard is an electoral ward of west Belfast situated in an overwhelmingly CNR¹ area between the Falls and Springfield Roads which on its east side borders the Cupar Way interface. Over 50% of the residents are of the economically inactive and it ranks as one of the most deprived wards in Northern Ireland with severe problems of educational under achievement and high levels of poor health.

Highfield is an electoral ward of west Belfast situated on the PUL² side of the Springfield Road Interface. Highfield like its neighbouring community across the divide is also listed in the top 10% of deprived areas in Northern Ireland and shares many of the same problems as Clonard. Many of the residents have been directly affected by the conflict; within the Belfast area of BT12 and BT13 there was a total of 549 deaths, 75.91% of which were within 700 metres of an Interface.

Ligoniel is a residential area on the edge of north Belfast at the base of the Belfast mountains and is largely CNR in its demographic make-up. The houses in the area are a mix of private houses and Housing Executive estates. The area has a population of approximately 5,500 and is adjacent to the PUL Ballysillan area. It is in the top 10% of deprived areas in the north with 69% with low or no qualifications and with less than 10% with a degree or other higher qualifications. Between Ligoniel and Squires Hill there are two distinct clusters of interface barriers at Wolfend Drive and Brookmill Way.

Rathcoole is a large estate within Newtownabbey district with upwards of 35% long term unemployed and significant educational low attainment. It is a strongly PUL area with traditionally strong paramilitary presence though it did return a Labour candidate in local elections from 1973 to 2001. It

has been the site of recent disturbances and serious rioting.

Shankill is an overwhelmingly PUL area and has an overall rank of 4 out of 582 wards on the Multiple Deprivation Measure and ranks 1 for the measure for education and training with 87% of the population with no qualifications and over 60% are economically inactive.

Falls The Lower falls is a strongly CNR area and ranks 2nd on the Multiple Deprivation in the whole of Northern Ireland and is also in the bottom 10% band for educational attainment unemployment, income and health and disability.

1. Catholic, Nationalist, Republican

2. Protestant, Unionist, Loyalist



SECTION 3
STRATEGIC AND
POLICY CONTEXT

3.2 Poverty in Northern Ireland

For many years, Northern Ireland was recognised as one of the most deprived areas of the UK, however, the lack of policies, literature and debate is evident in the fact that it is only from 2003 onwards that household income surveys were published to provide a baseline from which to begin to address the problems. The first and most far-reaching report *Bare necessities – Poverty and Social Exclusion in Northern Ireland* was published by Democratic Dialogue on behalf of The Office of First and Deputy First Minister (OFMDFM) in 2003 and using a range of measures found that almost 30% of the Northern Ireland population could be classed as ‘poor’, which accounts for 502,200 people or 185,500 households.³ Over a third of the children (37.4%) in Northern Ireland were suffering a lifestyle and a living standard regarded by a representative sample of all people as unacceptable. It is not surprising that its authors concluded that “*Northern Ireland was one of the most unequal societies in the developed world.*”

In the last decade, there have been two further comprehensive reports published by the Joseph Rowntree Foundation (JRF) recording official government data on household income in Northern Ireland. These reports echo the data found by the 2003 report and provide a clear picture of the extent of poverty in Northern Ireland over the last six turbulent economic years.

The first report entitled *Monitoring Poverty and Social Exclusion in Northern Ireland*⁴ was published in 2006. It details the stark reality of poverty and its implications for social inclusion of those on low incomes despite a time of relative prosperity for the economy.

3. Hillyard, P; Kelly, G; McLaughlin, E; Patsios, D; & Tomlinson M (2003) *Bare Necessities – Poverty and Social Exclusion in Northern Ireland* Democratic Dialogue Belfast

4. Kenway, P; MacInnes; Kelly, A & Palmer, G (2006) *Monitoring Poverty and Social Exclusion in Northern Ireland – A Study from The New Policy Institute* www.poverty.org.uk/reports/ni%202006%20findings.pdf

3.1 Introduction

The overall aim of the study is to investigate the affect that low levels of financial literacy have on women and their families and identify who women turn to for advice on debt. In this literature review we will focus on the current knowledge of levels of poverty, unemployment and their relationship with debt for women in Northern Ireland. We identify relevant policy, strategy and public information documents and previous national and regional research on debt.

The literature relating to the extent and types of debt and poverty in Northern Ireland is primarily sourced from consumer and advice bodies and to a lesser extent from government and academia. Very little information exists detailing the specific experiences of women in debt in Northern Ireland. Our review indicates that the main gap lies in any understanding of the social and cultural dimensions of women’s lives in relation to debt, credit and poverty. With the inclusion of these key factors, financial decision making is no longer simply an economic issue but is impacted by broader social issues. There is a need for greater understanding and cognisance of these issues so that they become an integral part of strategies underpinning financial literacy, financial planning and credit and debt management. We have sought to refer to the most up-to-date data and reports that reflect the impact of the recession.

The report found Northern Ireland compared unfavourably across a range of indicators with the rest of the UK. The report measured areas such as poverty, benefits, employment and pay, disadvantage in work, exclusion from services, housing, health and education. The report highlights 19% of the working age population were in receipt of out-of-work benefits and almost one tenth of people were in receipt of Disability Living Allowance. The authors found 31% of people aged 16 to retirement age were lacking paid work and nearly 80% of social sector households were headed by someone not in paid work. Even those in employment experienced poverty as over one-fifth of full-time employees were paid less than £6.50 per hour and 19% of working age households received a range of in-work benefits and/ or child tax credits. Overall the report found that 350,000 people in Northern Ireland were defined as living in 'Income Poverty' a figure which included 100,000 children and 50,000 pensioners.⁵

One of the key findings of the study relates to the fact that whilst just 2% of the population were lacking in their ability to pay for consumer durables such as televisions and fridges, almost 20% of households lacked the capacity to pay their bills, have savings or contribute to a pension. The authors argue that this is the reality of 21st century poverty:

What these figures suggest is that instead of an image marked by a lack of things, modern poverty is marked by real difficulties in paying for essential services, or accumulating small financial assets (pensions, savings, insurance, a bank account) or taking part in activities that the rest take for granted.⁶

In 2009, The New Policy Institute published an update of the Monitoring Poverty and Social Exclusion in Northern Ireland⁷

5. A household is defined as being in income poverty if its income is less than 60% of the GB median household income. Ibid

6. ibid

7. The New Policy Institute Findings – Informing Change September 2009 – Monitoring Poverty and Social Exclusion in Northern Ireland 2009 www.jrf.org/sites/files/monitoring-poverty-northern-ireland-2009-summary.pdf

report which they acknowledge, was written during the early part of the recession. The latest findings suggest there has been no change in the number of people living in low income households as it remains around 20% or 350,000 however, there is was an identified increase of 10,000 in the number of children in these households from the 2006 report. Despite only analysing the first two quarters of the current recession, the authors found a sharper rise in the numbers of unemployed than in the rest of the UK – in June 2009, the proportion of the working age population claiming Job Seekers Allowance was 5.7% (higher than in England, Scotland and Wales and increasing at a faster rate) which brought the rate of claimants to its highest since 1999. The report also found the number of households presenting as homeless has seen a dramatic rise of 50% from 13,000 in 2000/01 to 19,000 in 2009 and the number of households most in need of social housing having almost doubled in the same period from 12,500 to 21,500.

3.3 Fuel Poverty

Another key indicator in terms of poverty and potential for increasing indebtedness is fuel poverty. A household is described as being in 'Fuel Poverty' if in order to maintain an acceptable level of temperature throughout the home, the occupants would have to spend more than 10% of their income on all household fuel use⁸. The term also includes all types of fuel used for heating and all electricity used for other purposes such as water heating, cooking, lighting and use of appliances. In Northern Ireland in 2004, 23% of households were in fuel poverty and by 2006, 34% of households were in fuel poverty.⁹ The latest figures suggest that there has been another 11% rise to an alarming 44% of households in Northern living in fuel poverty. These 300,000 households are

8. Department for Social Development (2004) Ending Fuel Poverty: A Strategy for Northern Ireland www.dsdni.gov.uk

9. Extracted from Home Energy Conservation Authority (2008) Home Energy Conservation Report 2008, p8. www.nihe.gov.uk/displayFile?id=14137

for the most part in the social or private rented sector.¹⁰

Save the Children underline the impact of increasing fuel prices in their Fuel Poverty Briefing by concluding in a 2008 report that *'Every 1 per cent increase in energy costs pushes a further 2,600 NI households into Fuel Poverty'*.¹¹

3.4 Statistical Data relating to Women in Northern Ireland

In order to set this report in context, it is also important to identify the statistical information available relating to the status of women in Northern Ireland. The most recent data has been obtained from government sources such as The Northern Ireland Statistical and Research Agency (NISRA) and The Department for Enterprise, Trade and Investment for Northern Ireland.

3.4.1 Population Statistics

The Northern Ireland Statistics and Research Agency (NISRA) estimates there were 910,000 females living in Northern Ireland (almost 32,000 more females than males) in 2009¹². Around 736,500 of these were aged over 15.

3.4.2 Women in Employment and Economically Inactive

In Northern Ireland, a total of 374,000 women were classed as economically active in the periods April – June 2010 whilst in the same period, 210,000 were classed as economically inactive (these figures include those seeking work and those

not available for work).¹³ Therefore 71.0% of working age males were in employment compared with 61.4% of females.

In July 2010, 13,900 females in Northern Ireland were claiming unemployment related benefits – this represents an increase of 3,000 during the last year. However, the number of female claimants continues to be smaller than the number of male claimants (42,900).¹⁴ 33% of working age inactive women were unavailable for work due to family/home commitments. The main reason given by men for inactivity was sickness or disability at 39%, compared to 24% for women.¹⁵

3.4.3 Women Claiming Income Support in Northern Ireland

In August 2010, there were 108,584 women on Income Support/State Pension Credit, this accounted for 58.9 % of all cases. The overall number of women claiming Income Support/State Pension Credit has decreased by 1.7% since August 2009, compared with a 1.2% decrease in the number of male claimants over the same period. A total of 23,503 (27.1%) Income Support claimants were classified as Lone Parents, the majority of these are women (97.3%).¹⁶

3.5 The Impact of the Recession on Women

Despite the fact that the recession has officially passed, there is a paucity of literature available on its impact on women in Northern Ireland, however research available in Britain indicates that in general, women are losing their jobs at a slower rate than men when analysed by sector, with one notable exception; temporary, part-time and vulnerable

10. DSD News Release – Attwood Responds to Chancellor's Public Sector Review Statement – 20 October 2010

11. Lidell, C (December 2008) Policy Briefing for Save the Children: *The impact of fuel poverty on children*. Save the Children. Belfast

12. NISRA Population and Migration Estimates Northern Ireland (2009) – Statistical Report www.nisra.gov.uk/archive/demography/population/midyear/mye_report_2009.pdf

13. DETINI Women in Northern Ireland 2010 www.detini.gov.uk/women_in_northern_ireland_2010-3.pdf

14. *ibid*

15. *ibid*

16. *ibid*

employment, and in the case of the current economic climate, the catering and retail industry. Harding (2009) argues that this is because women are disproportionately represented in these areas, not because they are disproportionately affected compared to men.¹⁷

The TUC also suggest that women's employment has been relatively more secure than men's because they are more likely to be employed in the public sector. Their prediction in January 2009 that women 'could soon be at risk... if there is a major drive to cut public spending' seems to have been prophetic with the potential for up to 20,000 further public sector job cuts in Northern Ireland.¹⁸

Fawcett echo this finding and argue that the nature of the vast majority of women's employment is markedly different from men's as their experiences are impacted by a number of factors which make them particularly vulnerable to economic downturn including:

*motherhood and other caring responsibilities; the traditional undervaluation of women's jobs, the fact that they are more likely to live in poverty, have fewer financial assets and need to make a complex set of decisions about their family and work life influenced by – among other things – the cost of childcare, the tax and benefit system etc*¹⁹.

In short, the available literature suggests that women are more vulnerable during this recession than in any other in history because there are more of them in employment and their income is vital to their households. Women who lose their employment are also more likely to take informal, exploitative work in order to support their families as they

are less likely than men to qualify for benefits if they do not have sufficient National Insurance credits or have to travel further distances for work or find suitable, affordable childcare.²⁰ This situation is of course compounded by the impact of the recession on construction in which men have been disproportionately affected and which can remove the only source of full time income in many families.



3.6 Debt in Northern Ireland

Throughout the last decade, much has been made about the level of consumer debt in Northern Ireland with a growing number of reports highlighting its impact. In 2006, OFMDFM published the first report into the level of over-indebtedness. The main findings of *Personal Over-Indebtedness in Northern Ireland*²¹ include:

- Access to credit is widespread with 7 out of 10 people having access to at least one form of credit

17. Harding, Dr. R; (2009) *The Impact of the Recession on Women's Enterprise*. The Women's Enterprise Task Force. Delta Economics

18. TUC (2009) Recession Report No 3 January 2009 www.tuc.org.uk/economy/tuc-15897-f0.pdf

19. Rake, Dr. K & Rotheroe, A (2009) *Are Women Bearing the Burden of the Recession?* A Fawcett Society Report, March 2009 London

20. TUC (2009) Recession Report No 3 January 2009 www.tuc.org.uk/economy/tuc-15897-f0.pdf

21. Woods (2006) *Personal Over-Indebtedness in Northern Ireland*. OFMDFM Belfast

- 9% of individuals were spending more than 25% of their gross monthly income on unsecured credit commitments
- 11% were spending more than 50% of gross monthly income on total borrowing repayments
- 7 out of 10 individuals that were classed as 'over indebted' stated they never had trouble with debts.

In the follow-up report entitled *Personal Problem Debt in Northern Ireland in 2008*²² the authors describe the debtor's experiences of problem debt and the views of the money advice sector. They found that problem debt was:

hugely traumatic, massively stressful and frequently drives people to the brink of suicide...and is a hideous experience which can impact upon the lives of anyone regardless of social background.

Among the main findings of the report, the authors highlighted:

- The relative ease in which people find themselves in debt through the easy access of a multiplicity of lenders and irrational spending facilitated by the easy access to credit.
- How unforeseen circumstances prevented the management of existing debt and, in some cases, necessitated further borrowing and that financial preparation for a change in circumstance was either limited or non-existent.
- The shortage of money advisors who can provide face to face support through agencies such as CAB, and Advice NI and that the advice sector receives very little financial support from the lenders who are pursuing the debt.

22. PSC Management Group (2008) *Personal Problem Debt in Northern Ireland* OFMDFM Belfast

- 75% professed either complete ignorance or, at least, some confusion of banking rules and procedures. Amongst this group, it would appear that ignorance of financial regulations could have been a contributor to problem debts.
- The extremely low level of general awareness of sources of support for personal problem debt particularly outside the main sources of support such as the CAB. The Consumer Council found a similar problem in 2007 when they reported that 25% of Northern Ireland Consumers did not use any form of information at all to choose a financial product such as a loan or a mortgage²³.

Findings from other organisations in Northern Ireland echo just how susceptible we all are to debt. The Consumer Council found one third of people believe they are only one month away from financial hardship should they face an unexpected expense or a sudden drop in income.²⁴

Fewer consumers in Northern Ireland paid off the full balance on their credit card in 2009 (34%) compared to 2004²⁵ (48%) and more Northern Ireland consumers make only the minimum payment on their credit cards now (17 per cent) compared to 2004 (11 per cent).²⁶

Agencies in Northern Ireland providing debt advice have also seen a sharp rise in the number of clients. In 2007-08, the Dealing with Debt Money Advice Service funded by the Department of Enterprise, Trade and Investment helped

23. PSC Management Group (2008) *Personal Problem Debt in Northern Ireland* OFMDFM Belfast

24. The Consumer Council Northern Ireland (2007) *Managing Money: How does Northern Ireland Add Up?* Belfast

25. Consumer Council Oct 2009 Consumer Financial Products Research Belfast

26. Consumer Council 2004 *Taking the Credit: Consumer credit and debt in Northern Ireland* Belfast

almost 2,000 individuals deal with over £13,000,000 of debt. They reported that 70% of this debt was linked to personal credit spread across credit cards, bank loans and personal loans followed by store cards and catalogues and mortgages and secured loans.²⁷

Advice4debtNI recently warned that consumers in Northern Ireland need to get a handle on their debt before the financial pressure of Christmas descends. The warning came after the independent advice organisation said it had identified more than £17,000,000 of personal debt in its first year.²⁸ This finding and the particular concern over the consumerist frenzy that is Christmas is also supported by increasingly worrying research findings on changes to children's culture and values in which children are becoming active consumers at younger and younger ages with the concomitant pressures this brings to low income families:

What is most troubling is that children's culture has become virtually indistinguishable from consumer culture over the course of the last century. The cultural marketplace is now a key arena for the formation of the sense of self and peer relationships, so much so that parents are often stuck between giving into a kid's purchase demands or risking their child becoming an outcast on the playground.²⁹

3.7 Northern Ireland Policy

There are a number of debt and anti-poverty policies and strategies aimed at reducing the burden of people in debt and those on low incomes in Northern Ireland. Whilst this is not a comprehensive list, the most relevant are discussed here.

27. Citizens Advice Bureau NI (2008) *Dealing with debt in Northern Ireland* Annual report 2007-2008 Belfast

28. Belfast Telegraph Newspaper 16/11/10 Campaign Warns Consumers Over Debt.

29. Cook, D Assistant Professor of Advertising and Sociology at University of Illinois.. <http://fadinghope.blogcity.com/consumerism__consumption_in_our_modern_society_part_i.htm> Accessed 21.11.10

3.7.1 Debt Relief Scheme for Northern Ireland

In March 2010, Enterprise Minister Arlene Foster introduced a Bill in the Assembly to pave the way for a Debt Relief Scheme³⁰. The scheme will help people burdened by debt which they have no realistic prospect of being able to repay. Providing they meet certain eligibility criteria, individuals will be able to apply to the Official Receiver for a Debt Relief Order. This will protect them against action by their creditors for a one-year period, at the end of which their liability to pay debts covered by the Order will be cancelled.

The Minister estimates that up to 1,000 people could make use of the scheme each year. Application to the scheme will be through debt advisors, appointed to act as intermediaries. These intermediaries will assess debtors' eligibility and verify financial circumstances. Eligibility conditions will include a ceiling on total debt.

It is intended that the application fee will be set at a level considerably lower than the £345 deposit currently payable to petition the court for bankruptcy.

The Debt Relief Scheme is expected to become operational in early 2011 at the latest, following the making of primary and secondary legislation, and commissioning of the service.

3.7.2 Lifetime Opportunities: Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland 2006

The Strategy was introduced by the Secretary of State in October 2006 with four ambitious goals for eliminating poverty and exclusion through the life cycle:

30. <http://www.northernireland.gov.uk/news-deti-090310-enterprise-minister-introduces>

Debt Advice & Counselling

Other Options:

- Citizens Advice Bureaux
- Counselling & Advice
- Debt Adjustment & Management

p 326

p 411

p 438

Debt Solutions NI, Co
Easy Debt Solutions,
Family Estates,
Dundonald Enterprise P
Gemini Debt Solutio
Indebtedout1,23 For
Maccambridge Bully
OneDebt, 26 Dunm

DEBT ADVICE CHARITY HELPLINE

- **Eliminating Poverty** - With the focus of future policy on the 327,000 people, including 102,000 children and 54,000 pensioners, who remain in poverty. The Strategy aims to eliminate child poverty and poverty and social exclusion by 2010.
- **Eliminating Social Exclusion** - Providing opportunities to participate fully in the social and economic life of communities.
- **Tackling Area Based Deprivation** - For the 284,000 people who live in such areas there is much greater risk of poverty, poor health, both physical and mental, and the despair that comes from having no apparent prospect of improvement.
- **Eliminating Poverty From Rural Areas** - Pressures on the agricultural sector, demographic change and the physical

isolation leave many in rural communities in or at serious risk of poverty and social exclusion. Here the challenge is to build a strong rural community infrastructure to provide economic and social opportunities, in particular for young people who want to live and work in the countryside.

- **Shared Future – Shared Challenges** - The promotion of respect and tolerance between the two main communities is essential condition for achieving further economic and social change needed to eliminate poverty and social exclusion.

The Lifetime Opportunities Strategy contains measures to tackle financial hardship for example through supporting the provision of debt advice. The Strategy also pledges to halve child poverty by 2010 and end it by 2020. However, some organisations argue that the strategy does not go far enough:

*The Strategy does not go far enough to tackle financial exclusion as issues such as promoting access to affordable credit or mainstream financial services are not included.*³¹

3.7.3 Ending Fuel Poverty: A Strategy for Northern Ireland 2004

This Strategy was introduced in 2004 to cover the period from then until 2016. The Strategy's vision is "of a society in which people live in a warm and comfortable home and need not be worried about the effect of the cold on their health" and the success of the Strategy was to be judged by "the extent to which our vision becomes a reality for the people of Northern Ireland, as well as by the number of households that remain in fuel poverty".³²

The Strategy outlines the Government's intent to eradicate fuel poverty in vulnerable households by 2010 and in all households by 2016. However, as The Consumer Council point out "it should be noted that the DSD now refers to alleviating rather than eradicating fuel poverty, which may be seen as an admission that the original targets are unachievable".³³

The Strategy has led to the establishment of The Northern Ireland Fuel Poverty Advisory Group comprising of the

private and voluntary sectors and the Inter-Departmental Group on Fuel Poverty of senior officials from all the main government departments. Other developments through the Strategy include extension of the Warm Home Scheme to people aged over 60 on non-means tested benefits; further promotion of benefit uptake programmes and energy efficiency improvements; an additional winter fuel payment of £150 in 2009 and the publication of a Social Action Plan by the Utility Regulator targeted at low income families and the provision of affordable energy.

Despite such energy efficiency improvement measures fuel poverty in Northern Ireland is still a significant problem. The Chairperson of the Home Energy Conservation Authority, Brian Rowntree, has suggested that energy efficiency measures alone will not be sufficient to eradicate fuel poverty in Northern Ireland:

Despite an overall improvement in the energy efficiency of the housing stock of 20% over the last decade, many households faced a crisis in paying for fuel. This highlights the necessity for Government to urgently tackle the other two causes of fuel poverty, namely low household income and rising fuel prices. Improving energy efficiency will mitigate the effects of fuel poverty but on its own will not eradicate it. Well insulated dwellings with energy efficiency heating systems can remain cold homes for families who cannot afford to buy the fuel to heat them.³⁴

So despite the very specific nature of policies aimed at tackling poverty in Northern Ireland, it is clear that much more needs to be done to address the existing levels. Statistics clearly show that despite the economic boom or bubble of the

31. Housing Rights Service Policy Briefing Paper: Financial Inclusion and Housing Debt in NI June 2009 Belfast.

32. Department for Social Development (2004) *Ending Fuel Poverty: A Strategy for Northern Ireland*, p2. www.dsdni.gov.uk/ending_fuel_poverty_-_a_strategy_for_ni.pdf

33. <http://www.consumercouncil.org.uk/key-issues/fuel-poverty/>

34. Home Energy Conservation Authority (2008), p1. www.nihe.gov.uk/displayFile?id=14137

early years of this decade and the subsequent 'bust', the number of households living in poverty has remained relatively static. Clearly more data is required on the impact the recession and government spending cuts will have on low income households in Northern Ireland, on women in particular and on the increasing indebtedness of those households.



SECTION 4 FINDINGS



4.1 Introduction

Debt and credit are increasingly significant features of modern living and indeed have been central to fuelling economic activity throughout the so-called boom years which have just ended in catastrophic systemic financial failures across the globe. Similar failures and crises are of course a feature of the lives of increasing numbers of people at an individual level as drop in incomes have been replaced by more accessible credit and as debt has become more endemic as a result.

A combination of wage repression over the last forty years combined with the rise of a consumer driven economy has led to a situation in which people cannot often afford to buy the things they need to survive or indeed buy the consumer goods whose purchase is needed to keep the economy growing. The solution to this crisis has been to flood the financial system with easy credit. Witnessed first in the rise of the credit card industry in the eighties, it was transformed by the Conservative driven home ownership revolution through the right-to-buy policy and the ideological shift to a 'property-owning democracy' in which housing became widely viewed both as collateral for credit and as an investment. Maurie (in Marsh & Mullins, 1998) suggests that home ownership "stabilises people politically" (1998: 83) by ensuring that the long term debt promotes the emergence of conservative values and worker discipline. Furthermore, an individualized and self-interested electorate which is perhaps blind to long-

term economic realities also came to see debt as normal, encouraging public attitudes which can be:

*summed up by a 'live for today and not worry about the future' attitude coupled with a greater than average level of optimism which, it would appear, gives them the confidence to believe that their debts will eventually be paid off.*³⁵

This shift in attitudes has seen a massive increase in household debt, which when coupled with the availability of 100% mortgages and the lunacy of top-up loans has ensured that millions are ensnared in debt and credit cycles. This programme of indebtedness found its nadir in the selling of sub-prime mortgages where money was lent to people with no income so that they could buy properties which the banks had financed. This particular economic model, what in essence appears to be an international pyramid scheme, is in the process of collapsing, driving more and more people into unemployment, debt and poverty.

The accompanying growth in lending to the point of recklessness and the proliferation of lenders is for some little more than legalized loan-sharking; others insist that it is perfectly right to make credit available and further that it is the responsibility of the borrowers to secure its repayment. Loan companies in particular argue that they provide a necessary service to what are termed 'high-risk' groups who would otherwise not be in the position to avail of credit.

In a perfect world of high employment, secure financial futures and stable communities, store cards and credit cards may offer useful credit facilities but in a society facing deeper recession that already boasts inter generational unemployment, high levels of illness, huge and increasing inequality matched by huge consumer pressures, these facilities become dangerous paths to indebtedness.

35. http://www.marketresearchworld.net/index.php?option=com_content&task=view&id=643

“I don’t remember the first thing I bought on the credit card and can’t remember when things got out of control, but before I knew it I had two visa cards, store cards and was up to my eyes in debt...”

Since the current credit and debt crisis and ensuing recession the lending practices of credit agencies have of course come under increasing scrutiny. Practices such as raising interest rates on unpaid balances and on late or over-the-limit fees are being called into question. There is also significant disquiet about the predatory lending practices of some lenders in which vulnerable groups are targeted and charged exorbitant interest rates which are not properly explained. Much of the borrowing begins small with low borrowing limits but which are then slowly increased following on from which the borrowers are then hit by complex fees for account set up, annual fees, fees for paying online and fees for paying by post.

People who fall into bad debt with credit and store card companies or with mortgage arrears, are then being forced into a lightly regulated market place of loan companies. As they are driven further into debt the last stop is for some unregulated lending and loan sharks.

The trend is clearly towards more and more communities suffering under the weight of increasing indebtedness and poverty. Following the brief presentation of the demographic information below is a qualitative reflection on the views of a range of women from across Greater Belfast who took part in this research. They represent the views of women who have been involved at every stage of the debt cycle

and specifically those from a working class background. It is hoped that the information in this section can provide an insight into the impact of debt with a focus on the reasons for indebtedness and on the difficulties and challenges of freeing themselves from debt.

4.2 Demographic analysis

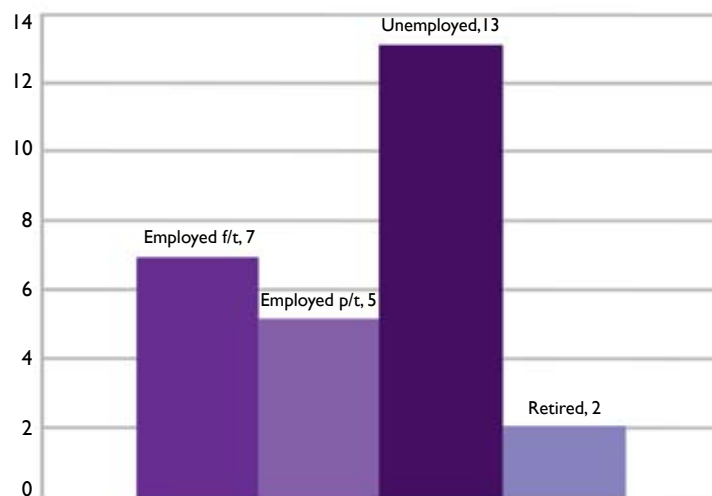


Table 1 Employment Status

Nearly half of those interviewed are unemployed and of the 12 employed 5 work part time and only one of those in full time work is considered a professional post.

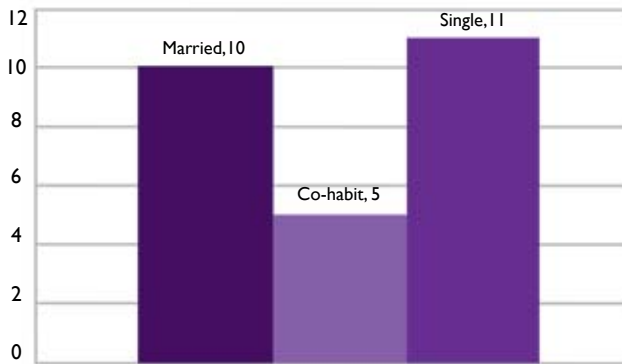


Table 2 Marital Status

Table 2 shows that over half of those interviewed are either married or co-habiting the rest being single, allowing access to stories of family debt as well as the more well known stories of debt problems associated with single mothers.

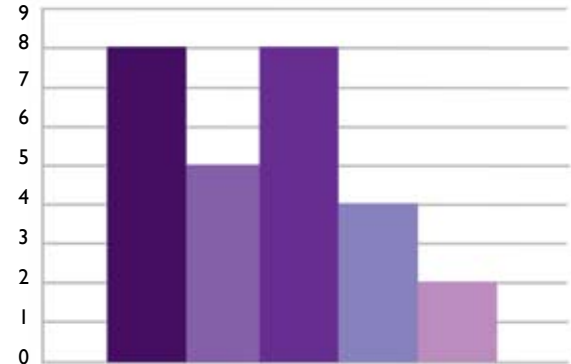


Table 3 Age of Participants

Table 3 shows the age profile of participants in the study. The authors sought to ensure as a wide range of ages as possible to reflect the nature and experiences of people at differing stages of their lives.

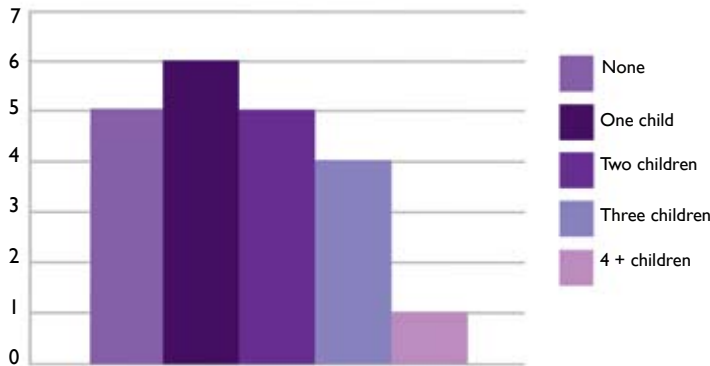


Table 4 No. of Dependents

Table 4 shows the number of dependents of each of the participants, ranging from no children to more than 4.

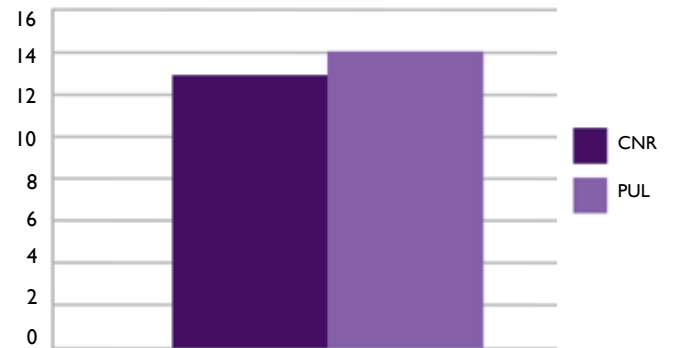


Table 5 Community Identity of Participants

13 of the participants classed themselves as belonging to the Catholic/ Nationalist/ Republican community, whilst 14 are from a Protestant/ Unionist / Loyalist background.

4.3 Levels of debt

Unsurprisingly this small exploratory and qualitative piece of research confirms what quantitative research tells us about the widespread availability of credit and the growing percentage of household incomes which are spent servicing unsecured debts. The interviews have revealed that the most common form of debt for non home owners is credit and store card debt with 20 out of 24 interviewees reporting debt on cards ranging from several hundred pounds to several thousands. There were also significant numbers who had loans from lenders other than a bank or building society; in particular private loan companies appeared to be playing an increasingly significant role in lending. A large proportion had problems with utility payments whilst smaller numbers had rent and mortgage arrears.

The interviewees were initially asked to describe the state of their personal finances. Only two of the interviewees reported that they were “not in any debt” though with the added proviso that they had no savings either and were unlikely to start saving in the near future:

“I’m careful. I’ve been in debt before, but if I lose my job god knows what’ll happen, we can’t afford to save as it is...”

“We manage OK but don’t have much left for treats or saving for the future.”

The vast majority however reported a range of financial difficulties from debts of several hundred pounds to many thousands:

“We are struggling financially and have debts that are beginning to worry us...”

“I’m in serious financial difficulty...”

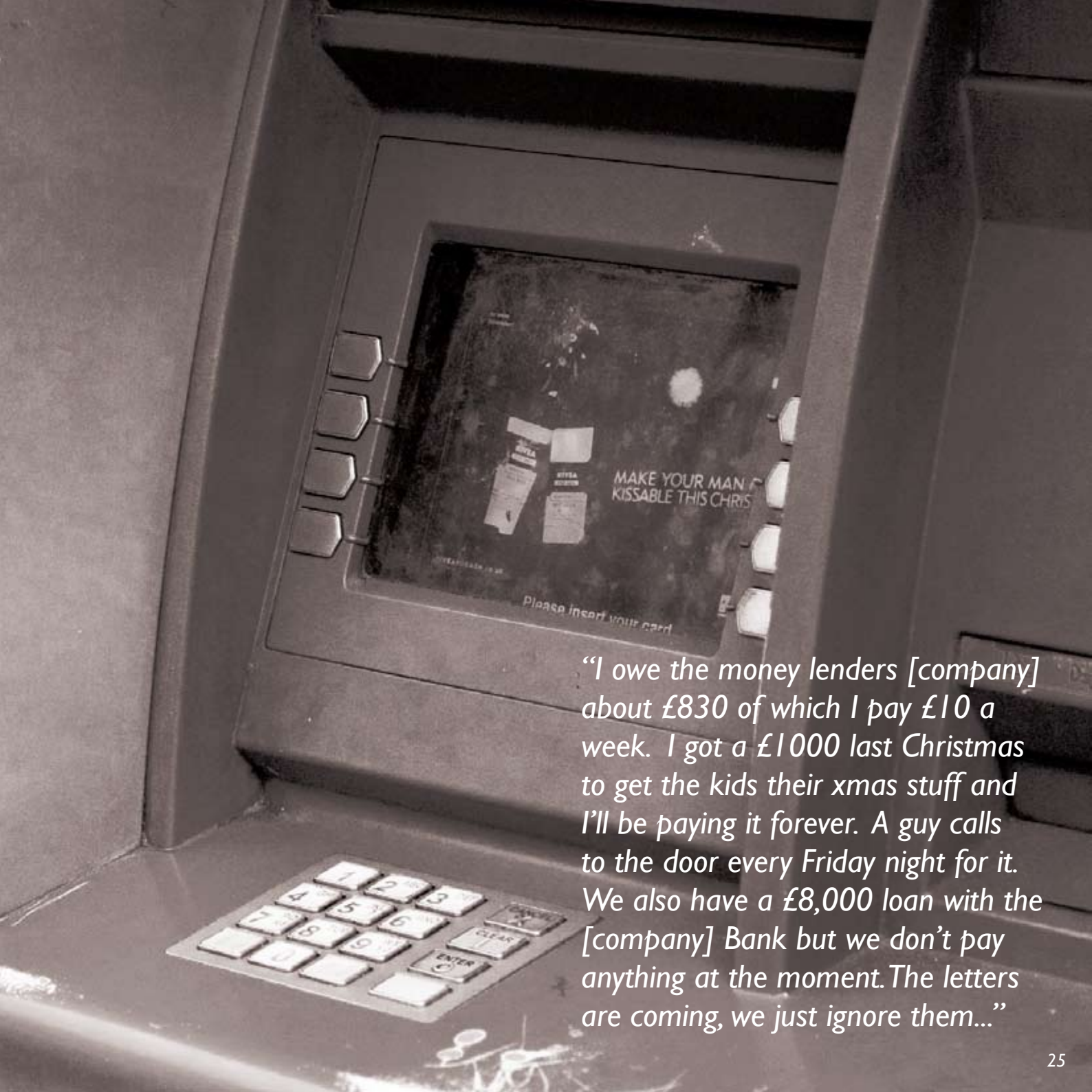
“Every time things got too bad we would consolidate, hence the high mortgage, but we always kept the credit cards going. We always thought as long as we were working we could manage but now the debt is nearly more than our earnings.”

Half of the interviewees owed between £500 and £10,000 and a nearly equal proportion reported debts in excess of £10,000 and rising to £20,000 exclusive of mortgage debt. A small number of these had taken out life time equity release deals in which large debts were placed on their property to be paid following the death of the owners, whilst two others had doubled their initial mortgage deals with top up loans driven by credit card purchases and other debts.

The majority of interviewees use at least one credit facility whilst the rest had more than one credit facility including:

- Bank loans
- Credit cards
- Catalogues
- Hire Purchase
- Private loan companies
- Loan sharks
- ‘Family’ borrowing

It was significant, though entirely predictable, that those with the most debt had the highest numbers of debtors. This may point to a domino effect in which those in debt often fall further into debt a process facilitated by a trend in which lenders are clearly happy to lend to those already in serious de



“I owe the money lenders [company] about £830 of which I pay £10 a week. I got a £1000 last Christmas to get the kids their xmas stuff and I’ll be paying it forever. A guy calls to the door every Friday night for it. We also have a £8,000 loan with the [company] Bank but we don’t pay anything at the moment. The letters are coming, we just ignore them...”

"I owe £5000 to credit cards, £1200 to a car finance company, £600 to store cards..."

"I am on my own with 3 young children and find it hard to make ends meet. I get small loans from different local companies, £200 from [company], £300 from [company] and £200.00 from [company]..."

"I pay out over £500 per month in loans before I even buy a carton of milk..."

4.4 Impact of debt

Across the vast majority of interviews levels of indebtedness had created serious downward pressures on quality of life, including marriage and relationship break-up, mental health problems and domestic abuse:

"Last Christmas was the worst, we didn't even have Christmas presents or a tree. I had no money to buy a tree...It was just awful and things are only going to get worse."

"My only hope is that my parents will help me out. When I moved I got some furniture from the St Vincent de Paul and they have said they will give me some things for the kids at Christmas ... I just don't think beyond today and if my mum and dad die early or something happens to stop them working I will never survive."

"It's constant, we're rarely not talking about money worries and who going to pay and who we're going to borrow from next..."

For others the debt was having a serious psychological impact and was adversely affecting their relationships. Of the eleven women in long term relationships six admitted keeping their debts secret from their husband or partner. Some expressed shame at "failing" to run the household finances, whilst others stated that their partners controlled the income and didn't "hand over" enough money:

"Some men don't realise the cost of living and that the amount of money simply doesn't cover the costs...then the women get credit cards...I know of two women personally whose husbands have found out about the real amount of debt, one husband walked out of the marriage, the other went berserk and attacked her."

Two of the interviewees admitted that their spending was "unreasonable" but also "uncontrollable" and had gone on what they termed 'non essential items that if known would cause serious conflict in the relationship:

"I hide the debts from him, I'm living in fear of him finding out the real amount of debt we're in... I just keep spending."

Whilst many understand that help is both available and required they have spent so long hiding the debt from family members it is difficult to open up even though hiding the debt increases the stress and the likelihood of the situation getting worse:

"I worry daily about it, I've so much hidden it is unbelievable... I keep the house going and hide a lot from my children, if they knew it would cause a lot of trouble, I couldn't cope with that..."

It was clear that for some their debt was spiralling out of control and that their response was to increasingly ignore it:

“I stick my head in the sand and pretend it is not there...”

“No, don’t care about it anyway, there’s nothing I can do...”

*“Yes I worry about it sometimes but mostly I say f**k it...”*

For those who had managed to extend some control over their debt, there was still the prospect of never being free from the debt creating huge stresses and strains:

“Yes big big time, worried sick about it, can’t think straight sometimes, feel overwhelmed by it all...”

“When you are this deep in debt the thought of a way out seems impossible.”

“It will be 20+ years before I see the light at the end of this tunnel.”

“We remortgage our home to clear debts but it still wasn’t enough to clear all the debts...”

Only a very few had managed to get to grips with the debt and were aware of the dangers of further debt:

I am gradually getting on top of it. But in the past it was out of control, I feel sick at the thoughts of the amount of interest I have paid to loan companies and the stress I was under at the time...

The effect of debt and poverty on young people was also evident. The impact of the recession was felt to be having an increasingly negative impact on families with older teenagers and young adults. Young adults are suffering adversely in comparison to their parents regarding access to the job market and this may be having an impact on youth debt which is already considered at crisis levels.³⁶

A number of interviewees did speak about young adults with mounting debts, again which are often hidden from parents but for which parents can end up paying:

“I have my debts, my sisters and my sons to pay off.”

“The younger ones don’t have any control, they just want everything now, regardless of the long term costs...”

It was evident also that as the number of creditors to whom money is owed increases, so does the related stress of dealing with and managing the problem. This is compounded by the process of debt collection when lenders begin pressing and chasing the debtor for payments. Dealing with creditors and bailiffs is often a daunting and for some, frightening task:

“I have felt suicidal. I used to hide behind my curtains or sofa when they came calling at the door, they rang me constantly and sent letters not knowing or caring that I was going through hell in my life...”

36. <http://www.ivaahelp.co.uk/iva-articles/is-debt-an-inevitable-eventuality-for-youth.html> If the trend of youth debt does continue then the chances of the UK’s personal debt problem reducing any time soon is unlikely

4.5 Reasons for debt

A majority of those spoken to had entered into debt as a result of serious financial crises that had impacted directly on their income levels. Eight of the interviewees stated that the debt was a direct result of loss of employment for themselves and/or their partner:

“We were fine, then he lost his job and I only work part time, then the debts started piling up...”

In three cases this had also led to a break down in the relationship further compounded by ex-partners not paying any child support or assisting with payment in kind such as help with childcare:

“I wouldn’t survive but for the fact that my mum is always buying things for me like nappies, food, or milk. With 5 kids I go through about 3 litres of milk a day and it all adds up. My ex’s mum is very good too and will buy the kids clothes each week. Maybe one week socks, another week, underwear...”

For a few there was an admittance that their spiral of debt began as a result of consumer purchases which in a small number of cases were admitted as being in hindsight, an “indulgence”. As suggested above, for some the entrance point was a particular financial emergency related to a sudden drop in family income through unemployment, but whatever the starting point the availability of further credit often lead to the debt spiraling out of control very quickly. What is clear from these interviews is that the credit card for many is not the debt of last resort but the first. In many cases when the borrowing limits on credit cards have been met the next stop has been loan companies. Whatever the starting point, the end result for the majority is growing indebtedness:

“I use my credit card for food, heating, bills, I never get into debt for luxuries but there’s always more going out than coming in...”

“I got a loan to get a loft conversion as my young daughter of 15 announced she was pregnant, that was a very stressful time, this was a necessity...”

For many of the women debt was entered into as a result of expenditure related to child care, particularly the purchase of clothes. For younger mothers the pressure of Christmas and birthdays on the family purse was also obvious:

“I get into debt every year, Christmas, birthdays and even July (new clothes for the kids for the 12th)...”

“I need clothes for children, things for school...”

“Christmas can be very hard on my finances, this always starts me off in the new year with more debt and not making ends meet. It is a vicious circle...”

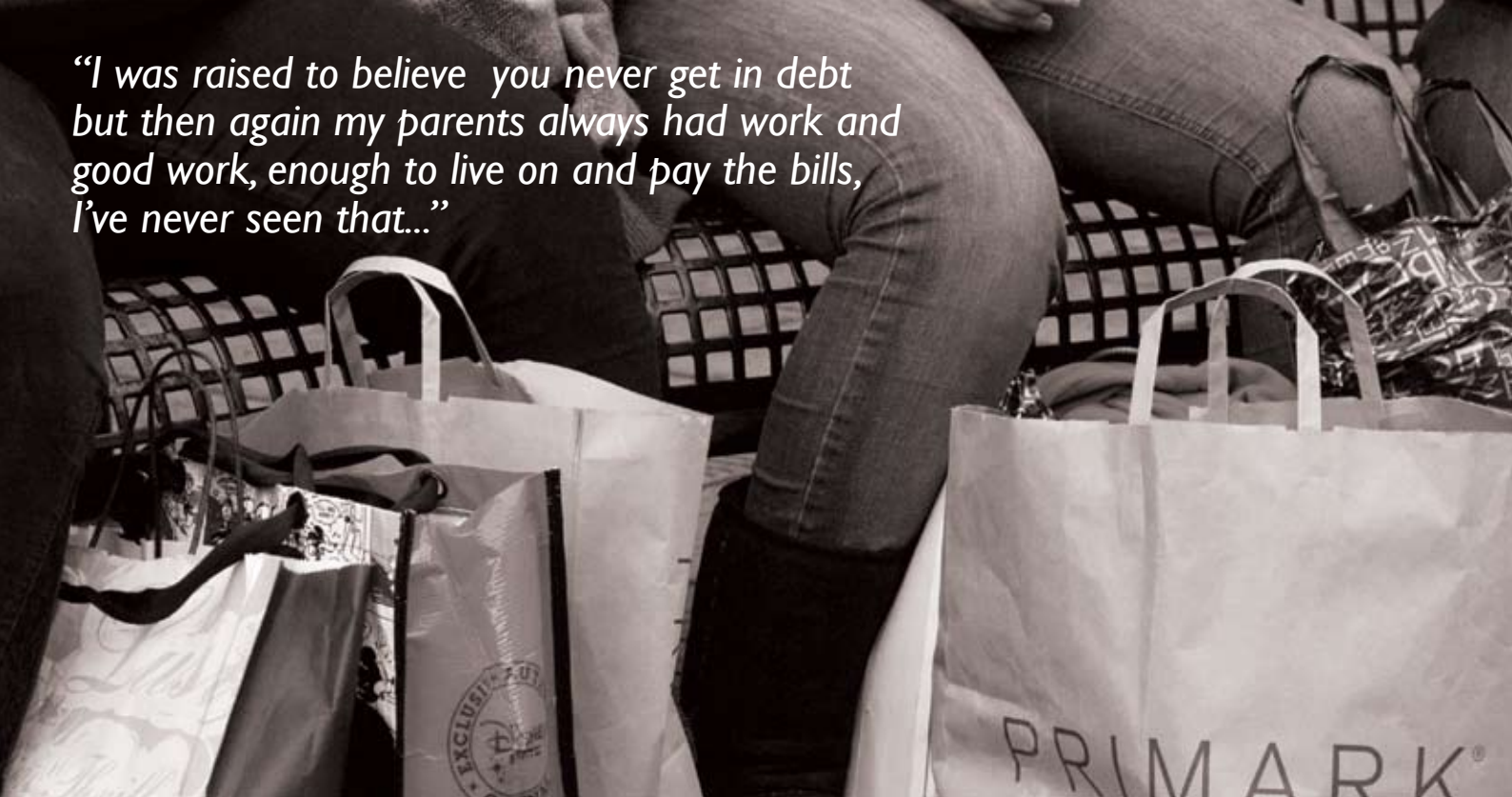
For some dealing with ill health and disability were reasons for increased borrowing. Those with caring responsibilities or with registered disabilities owed on average larger sums of money:

“I got a new kitchen and bathroom and easier access for my husband who is disabled...”

Whilst for others it was simply the attempt to set up an independent home whilst living on benefits:

“Got the loan from the DHSS to help me set up home, I pay back £6.12 weekly from my benefits...”

“I was raised to believe you never get in debt but then again my parents always had work and good work, enough to live on and pay the bills, I’ve never seen that...”



It was evident that for many, debt was simply a way of life and a vicious circle from which they felt they could not escape. As such debt has come to form a central part of their economic life and dictates many of their life choices and options. Even for those who manage to clear debts there was an acceptance that it was only a matter of time before they would fall into debt again:

“After I pay out all my monthly direct debits and money I borrow I’m back to square one borrowing to get me through the month again...”

“The incoming money does not cover all outgoing payments so I have to miss some payments each month, then the debt gets bigger and bigger with the interest added on and the late payment charges...”

It’s a vicious circle with me, in one hand, out the other, then I borrow again, I cannot seem to get out of it, would really love to have a month where there is no one owed money from me...”

The majority of interviewees stated that once in debt, the pressures of providing what they considered the basics for their children and families inevitably led them into borrowing even more money in order to survive:

“Because of mistakes in the past, I can get by if I only buy the basics you need to survive, I do not have any money over at the end of each month for luxuries as I have all my debts to pay...”

Many of the interviewees also complained of the pressures of modern consumerism which they claimed encouraged those living in poverty and debt to consume even more in order to “feel better about yourself”:

“But it’s an illusion, as soon as you’ve bought it the rush is followed by waves of guilt and I hate myself...”

Others mentioned the transformation of their children in to consumers at younger ages than ever before in which children were felt to wield enormous purchasing power, whether directly or indirectly through placing pressure on parents to buy what cannot be afforded:

“I think it is so much harder for young mothers today, the cost of living is so high, children get so much and mothers feel pressured into buying their children the latest stuff because of pressure from their own children...”

There was a palpable fear about the impact of the recession and resultant cuts to welfare and public services which were felt would drive more people into poverty debt and the arms of loan sharks and lending companies:

“We find it hard as it is with one working, if he loses his job I don’t know what we’ll do...”

“The recession has hit construction and now it’s gonna hit the public sector, that’s all we have... As long as [xxxx] and I are working we will be alright but if either of us loses our job we’ll be in real difficulty.”

“I have another 6 months on this contract and [xxxx] is on a month by month contract with [engineering firm] If either of us loses our jobs we will probably lose the house. We thought our jobs were safe now we are no longer sure but we won’t be able to cope if either of us is made redundant...”



4.6 The lenders

The interviews gave an insight into a world of pernicious and unscrupulous lending from banks and loan companies driven by aggressive targets and the use of hard-sell tactics to profit and in some circumstances prey on people in financial difficulties. Perhaps more worrying is the apparent growth of increasingly aggressive door-step lending and loan sharks. It is clear that these lending practices are increasingly a central feature of the debt landscape and that 'easy money' is available from both high street and unregulated lenders and who offer expensive credit to those who can least afford to repay it.

Credit card and store card solicitation seem at times to be particularly pernicious and even aggressive and the majority of those spoken to who had big debts, had started with credit and store cards. Borrowers unable to keep up with their credit card debts have discovered skyrocketing interest rates, decreased credit limits and harassing calls from collection agencies to their homes and workplaces:

“They’re like drug dealers, they would do anything for you to borrow and then hunt you down like a criminal when you’re late with a payment ...”

The range of lenders used came from across the lending spectrum. There were eight different loan companies mentioned (including two small local lenders and six well known national companies), the full range of high street banks and an array of different credit card companies. Many of those from more working class areas also owed varying amounts to catalogue companies and high purchase programmes. Significantly only one had a loan from a credit union, the one organisation in which ethics and low interest rates are part and parcel of the ethos and which directly benefits the local community:



“I always meant to get into the Credit Union when things were good and I didn’t I wish I had done as now I have no money to join...”

Another avenue for indebtedness was the appearance in some areas of metered televisions in which televisions were bought and with which the payment method were fitted meters which on average cost £1 for two hours of television. It was clear however that some were unsure of the nature of these deals and had appeared to have been sold deals in which they bought top end digital televisions with hidden costs:

“I’ve had the metered tv for three years and have put £3,000 in it and apparently I still owe money...”

Whilst pawn shops were a feature of the lives of previous generations they have largely disappeared from high streets and there was only a little evidence of pawning goods; the one service of which people have availed is cash for gold to

which a number had sold jewellery including wedding and engagement rings:

“I sold all my jewellery including my wedding ring to get through Christmas...”

Another feature of debt that appeared amongst some of the interviewees was the increase in problems with online gambling. Online betting is aggressively marketed not least through sponsorship of premier league football which may be having a negative impact on young men. In this research a small number of women were dealing with the debts of partners or other male family members raised through gambling addictions, one of which was online:

“We got rid of the computer, he was on it all night losing money...”



Only eight had stated that they had borrowed money from unregulated lenders or loan sharks, two of whom included paramilitary controlled or connected lending. On some occasions this was fuelled not by the women themselves but by partners and husbands:

“ My husband used to drink heavily, he would borrow from paramilitaries in the club he was drinking in, and I would get my door rapped on a Monday asking for the money to be paid plus interest. I used to have £300 coming in a fortnight on benefits and paid out £220 in loan payments before anything was bought...I wouldn't go near paramilitaries for a loan, never...”

Others, whilst clear that approaching paramilitary connected loan sharks was a situation they would not countenance, were still reliant on available credit, whose disappearance would place them in a hopeless situation:

“ I wouldn't ask the paramilitaries though, it gets you into worse trouble ... but I am on my own and have a disabled child who needs care and comfort so getting into debt is basically the only way I survive...”

One interviewee spoke in positive terms about the availability of money from a loan shark on whom she relied and who appeared central to her economic life:

“ Some women have no other choice but to get into debt to keep food on the table, xxxx is my loan man, he is my lifeline and I know I am paying over the odds for a small loan but I have no other way of getting money in a hurry...”

One interviewee recognised her reliance on loan companies and that without them she would be forced to go to loan sharks but she reserved little respect for the role in her life:

“ Loan companies don’t provide a service, they provide debt, they’re money grabbing bastards who prey on the poor and vulnerable, they’re worse than the paramilitaries, at least they know they’re scum...”

4.6 Understanding of interest rates and debt accumulation

Another major theme that emerges is that over half of the women interviewed understood what interest rates were but stated that the level at which they borrowed did not influence their decision, admitting that they had a short term view of borrowing and when they were in dire need, the interest rates were largely irrelevant. It was rather their ability to borrow at all, considering bad credit history and the speed at which they could access the money, that were the most important criteria for borrowing:

“Yes I understand interest rates, but when you are have to pay the oil bill you sign the dotted line and worry about it later...”

“When I need the money I just sign the dotted line...”

“I haven’t a clue and at this stage I don’t even want to know...”

For many the refusal of other kinds of loan, particularly from banks, left them with no option other than high interest loan

companies. Amongst the rest the majority of interviewees had at best a patchy and at worst absolutely no understanding of the rates at which they were being charged interest on their loans:

“I don’t have any clue, I just signed and they gave me the money...”

“I don’t know, especially with the weekly money lender, I just give him what he asks...”

For smaller loans from local companies and local loan sharks others were largely unaware of the calculation of interest but did have a practical understanding of how much they would have to pay back and the timeframe for payment:

“I pay £40 to the £100 for one of my loans, and £60 on top of the £100 for another one if I pay within the agreed time...”

“I just need to know how much I pay back, so I bought a car for £3400.00 and I have to pay back £4600, I’ve no idea how much interest that is but I know how much it’s costing me...”

For those on emergency loans from the welfare system there was a clear understanding of repayment largely because there was no interest involved and the payments were not punitive:

“ DHSS do not charge interest on loans, I will be paying back the £500 I borrowed at £6.12 for next 82 weeks. I also got a crisis loan for a cooker; this will be £8.00 per week once I have cleared out the existing loan...”

The vast majority spoken to were however of the opinion that greater education and information should be made available regarding interest rates, punitive costs and payment schedules:

“I think there should be more education about debt especially credit and store cards. People should understand how exactly debt works, when you borrow you should be told clearly how debt is calculated. I don’t think enough people understand...”

4.7 Refusal of Credit

There was an evident pattern in relation to refusal of credit based almost exclusively on bad credit history from credit and store cards. Some admitted that they were unaware at first that previous debts and late payments formed a personal credit rating to which all lenders had access and only became aware of its existence when credit was refused:

“Didn’t even know I had a bad credit history until I went to the bank for a loan. It wasn’t even my debt, I guaranteed a flat for [family member] and they were taken to small claims court for non payment...”

All those spoken to that had been refused credit were initially refused by their high street banks following which they approached loan companies and loan sharks:

I asked the bank for a personal loan to clear my existing debts, but they refused so I went to a company instead which took a lot longer to pay off, I’ve been refused loads of places, I can’t remember them all. When things started to go wrong we tried to get other loans but were refused. The only place I can get a loan now is from the money lender and I will have to get one to get over Christmas again this year...”

Others had discovered that because of the bad debts of other family members living in their home credit ratings had been applied collectively to all those living at that address:

“I got refused it not because of me but family members who used to live at my home, my house is now blacklisted...”

“Yes Virgin Media refused to put TV channels in for me because of my bad credit history, they wanted a lump sum up front. I couldn’t afford it...”

4.8 Debt collection and debt recovery

With debt recovery now itself a growing industry with light-touch regulation, the overwhelming majority of interviewees had experienced debt recovery with some facing court and others repossessions and bailiffs:

“I am getting letters in the post threatening bailiffs because of SkyTV, my ex-partner got the channels in and signed the contract in my name, I asked them to close the account but they said I am required to pay till end of contract. I don’t know what else to do...”

A feature of the industry also sees some businesses cutting their losses and selling on their bad debts to debt recovery agencies, sometimes for a lot less than the debt ; these agencies then pursue debtors for the full amount. A number spoken to had experienced aggressive approaches from these agencies:

“I’ve had nasty phone calls, threats, insults and lies about what they can do to me and my family; the last time I recorded the phone call and told them I did it, they slammed down the phone, now it’s just legal letters...”

“Yes, I have been threatened many times, we are still in trouble as we do not have this months and the next months mortgage payments, my husband is looking for work every day, it is so hard...”

“I’m afraid to tell my mum about it as she will go mad and also because they call to the door they kind of frighten me because he knows it me and the kids on our own. A few times when I have missed him he has been quite nasty...”

Three home owners had experienced significant problems with mortgage payments due to loss of income. One interviewee had experienced home repossession, something which may become more common as the recession bites and job cuts increase:

“Yes, we have had our home repossessed,...we actually handed the keys back voluntarily as we couldn’t afford the mortgage repayments anymore, they were crippling us... The sad bit is, the big loan we got was to refurbish our home, we spent thousands on it, but now we no longer own it, but still owe all the debt. We have nothing to show for it...”

“I had to go to court with the mortgage about 5 years ago. And it was a most humiliating experience as I had to tell the Judge what I spend my money own. At that time I had three kids of school age and he suggested that I cut down on the money for their lunches and travel. I agreed to pay off the arrears over 3 years and did so but I am now in arrears again...”

Amongst those who had mortgages there were serious concerns over increases in interest rates over the next few years. With suggestions that mortgage interest might rise

above 5 per cent by 2013 there are fears that home owners might be left with an increase in monthly payments worth hundreds of pounds. The effect of such increases would be overwhelming for many:

“We’ve no capacity for any increase to be honest, we thought that negative equity was bad enough, but a big hike in interest would finish us off...”

Interestingly in terms of understanding debt and interest rates those spoken to felt instinctively that an increase in interest rates of that size is “huge”. The reality however is that borrowers have simply become used to record low interests rates whilst being encouraged to borrow much larger amounts as a percentage of family income than ever before. In mortgage borrowing terms 8% is traditionally a reasonable rate. In the late seventies before the Thatcher home owning revolution the interest rates sat at 17%, decreasing only to 14% in the mid 1990’s. To those on a standard variable rate mortgages with little prospect of re-mortgaging, the prospect for the future is grim.

4.9 BME Communities and Debt

It appears that there is some caution by banks and other financial institutions when dealing with the BME and migrant workers communities largely due to fear of fraud based upon the transient nature of some migrant workers. Nonetheless it is clear that existing policies are disadvantaging and excluding Black and Minority Ethnic Communities including Migrant Workers.

There remains significant problems regarding access to banking largely due to communication and language barriers. There are also problems due to the demands of formal documentation, particularly utility bills which newly arrived migrant workers simply don’t have or are only available in the name of the landlord. There are related problems with

accessing wages through difficulties in cashing pay cheques, BACS payments and a host of problems relating to tax and national insurance.

One area highlighted was related to attempts to transfer money home where migrant workers are forced to use more expensive private finance companies as they have no access to high street banks. Clearly access to credit through loans and credit cards is only available to those with banking history which mitigates against migrant workers in particular. There was no evidence in these few interviews of attempts to access bank or private loans or any mention of significant debt problems. There are anecdotal reports of borrowing from independent loan companies and loan sharks as a result of not being able to access credit. Any more analysis awaits further research regarding debt and women in the BME and migrant worker communities.

4.10 Advice and Support

In this small exploratory piece of research interviewees who had accessed advice and support reported positive changes in regards to dealing with debt and indeed stopping descent into further debt. With advice they are able to re-structure their debt, pay it off and avoid repossessions and court. It is evident that there is a need for free advice at which all the available options can be explained and where a recommended course of action can be adopted which is in the best interests of the individual and suits their particular circumstances in order to resolve debt problems. Interviews indicated that only a small minority had sought professional advice. Possibly the most disturbing aspect of the responses highlights that a majority had little or no knowledge of where they might get advice, whilst only two stated they did not need advice. Several admitted that approaching professionals for help was too embarrassing, significantly the older women interviewed talked of the “shame” of doing so:

“I don’t want anyone knowing my business...”

Others relied upon friends and close family members:

“My family are all in debt, we’re experts, it’s a way of life for most...”

There were a small minority who had contacted a range of advice organisations including CAB and The Housing Rights Service and who had benefitted significantly through the advice, contact and support offered:



“I couldn’t go near any organisations for help, I would be too ashamed...”

“They helped us out a lot, they stalled the mortgage company from taking our home, we are still in negotiations with our mortgage company to give us a chance to get back on our feet again...”

“I was then told about the Money Advice worker in Ligoniel. I went to see her and she was great. She has written to all the people we owe money ... She got the £5 amonth each agreement with clubs; a small payment to the credit cards with no further interest added and is making an agreement with the rates people at present. I don't know what I would have done without her...”

However not all were happy with the information they received, with a particularly worrying story about the emergence of ‘debt consolidation’ companies:

“They were next to useless they advised me to pay the car company off, for a car I didn't have anymore and which the company had sold on again...”

“I phoned these people I saw on TV. I gave them my bank details and when I went to get my wages they had taken a fee of £240 out of my account without my permission and they didn't even have the details of who I owed money too. My mum fought with them but we never got the money back...”

Significantly only one of those interviewed had heard of and understood the purpose of an IVA. Those with debts over £15,000 whom it might benefit were not aware of it but expressed an interest in more information once it had

been explained that an IVA can help restructure debts in an affordable way. Similar interest was also expressed by those with large debts in the proposed Debt Relief Scheme for 2011. With research telling us that good financial support and advice results in overall improvement in respondents' financial situation, the need for such a service in ways that are genuinely accessible, is crucial in tackling rising debt levels and preventing people falling further into poverty and social exclusion.³⁷

37 <http://www.justice.gov.uk/publications/docs/impact-of-debt-advice-summary.pdf>

SECTION 5
CONCLUSION



The last twenty years has witnessed the growth of debt and credit as normal features of modern living. This change in social values has witnessed a growth in lending both regulated and unregulated many of whom are engaged in reckless and pressurised lending targeted at vulnerable and 'high risk' groups.

This small qualitative piece of research supports wider research findings in which small unsecured debts taken out by families and individuals on low incomes can create a downward spiral of debt, a debt facilitated by aggressive and unethical lending practices. Levels of debt in some communities are clearly unsustainable and are storing up serious problems for the future and creating severe downward pressures on quality of life measures. As a majority of those spoken to had entered into debt as a result of serious financial crises, it is clear that preparation for sudden changes in circumstances, particularly job loss, was limited or simply non-existent. The resultant debt can occur extremely quickly and with little warning causing serious anxiety and indeed trauma for entire families.

There are also suggestions that young adults are suffering adversely in comparison to their parents in the current recession and this has the potential to add to what some claim is already a crisis in youth debt. For women in particular it is obvious that the onerous responsibility of financial planning and management within the family is not being shared and this is driving women into serious levels of debt and related ill health

through stress and depression. This is compounded by the impact of child care costs and the pressure placed on mothers by consumer aware, indeed consumer obsessed, children.

It is evident that debt has come to form a central part of the economic survival strategies of those locked into poverty, many of whom see no light at the end of the tunnel faced as they are with the impact of the recession and resultant cuts to welfare and public services and jobs. There was also significant disquiet about the actions, techniques and processes involved in debt collection in which lenders provide credit in the knowledge that they can hand over that collection to more unscrupulous collectors. They were also cognisant however of the contradictions contained in their immediate need of credit to provide a short term bail-out from poverty and the wider social imperative of controlling lending. The vast majority spoken to were of the opinion that greater education and information should be made available regarding interest rates, punitive costs and payment schedules of loan companies and banks. There was also agreement of the need for greater access to financial advisors. The overall picture is one of society's poorest and most vulnerable paying through the nose for the privilege of borrowing, often to buy goods and services which we consider as essential. But there is also a recognition of irrational spending encouraged by easy access to credit fuelled by a consumer driven society.

5.1 Recommendations

Access to financial and debt advice:

- This research has shown how vital advice services are for women in disadvantaged communities. To best target those in most need, we call on the Department for Social Development to increase the level of funding and resources available to the advice sector, particularly community advice services such as those situated within women's centres.

Financial capability/literacy:

- Actively involving people in financial education will improve their knowledge, skills and understanding of financial products. Financial management lessons in primary and secondary schools, further and higher education colleges and those centres located in areas of disadvantage will have a positive impact on financial capability. The Department of Enterprise Trade and Investment, Department of Education and Learning and the Department for Social Development need to work together to implement a financial capability action plan, especially in locations where Area Advice Centres will be located as part of the 'Opening Doors' strategy³⁸.

Access to affordable credit and loans:

- This report highlights the need for affordable credit. We recommend the establishment of a Loan Guarantee Scheme (similar to the Growth Fund in England) which would greatly help Credit Unions in Northern Ireland offer loans to people on low incomes irrespective of whether they have savings or not.

Partnership working:

There is a need for a more 'joined-up' strategy to deal with debt in areas of disadvantage. Developing a referral mechanism between networks of advice centres, women's centres, money advice agencies, benefit advisors, housing associations, credit unions as well as health professionals and doctors would allow for a more holistic approach to debt management. The Central Anti-Poverty Unit in the Office of the First & Deputy First Minister should take the lead to co-ordinate such a strategy.

38 <http://www.dsdni.gov.uk/vc-opening>

APPENDIX 1

Your Money Garden Financial Education Project Values & Ethos

Our values and approach to working makes us unique in the training and research we provide:

A partnership approach:

Working with partner organisations appears to be a way to ensure that learners have access to all the support and guidance, backed up by appropriate experience.

Engaging learners:

Delivering financial learning sessions to existing groups is an effective way to reach those people in need as people are more likely to engage in financial learning activities if provided through an organisation, group or service with whom they are already involved.

Learning activities:

We deliver the training in a context where learners feel comfortable and which is convenient and accessible.

Progression & Support:

Participation in financial learning activities can inspire and motivate people to take part in further learning. We are also able to signpost or refer learners to the appropriate debt or consumer advice services should it be needed.

APPENDIX 2

About the Authors: Trademark

Trademark was established in late 2001 by a committed group of activists from the community/voluntary, public and trade union sectors. We are an ethically based not-for-profit organisation which works towards social change in which the principles of social justice, equality and pluralism are actively pursued. Trademark is a recognised partner of the ICTU and engages with a number of constituencies across the public / private and community/voluntary sectors delivering training, research and evaluation on a range of related themes including equality and good relations, human rights and peace and reconciliation.

Your Money Garden would like to express gratitude to our funders



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